Wickes sells subsidiaries to reduce short-term debt

SAN DIEGO—Wickes Cos. has sold major shares of two of its subsidiaries this month, MacGregor Golf and the Red Owl/Snyder supermarket and drug store chain, in its ongoing efforts to reduce the company's $2.9 billion short-term debt.

Wickes officials also announced that a formal agreement had been reached to sell its $236 million Wickes Agriculture division to Pillsbury. The price has not been disclosed.

All three deals are part of a broader agreement with Wickes' short-term lenders, requiring the San Diego-based company to sell certain assets and subsidiaries, in order to secure a $580 million credit extension (*NHCN*, March 15.)

Closer look

A group of investors known as IV Square Inc., which includes Wickes executive vice president and director Clark Johnson, will reportedly buy 75% of Atlanta-based MacGregor Golf from Wickes for $17 million. MacGregor generated revenues of $40 million in 1981.

Wickes will also sell two-thirds of the Red Owl/Snyder supermarket and drug store chain, which it acquired when it purchased Gamble-Skogmo in August of 1980. While the terms of this deal were not disclosed, figures released by the company indicated that the price was approximately $55 million in cash and $5 million in notes. Red Owl will be sold to Owl Acquisitions, a newly formed company two-thirds owned by Thorofare Markets, Youngstown, Ohio, and by Gamble-Skogmo, based in Minneapolis.

Both transactions are contingent upon approval of financing and clearance by Federal agencies. The company has also made an agreement in principle to divest itself of 50% of Aldens, its mail order catalog company, to Quelle, a West German catalog showroom operator.

The combined assets in the sale of Red Owl/Snyder and Wickes Ag are worth $211.3 million. John Tilson, an analyst for E. F. Hutton, estimated that Wickes would have to sell off at least $200 million in assets to ease financial pressure from its debt obligations.

"We'll be suffering future losses, that's undeniable, and divesting ourselves of several other subsidiaries," said Michael Sitrick, a Wickes spokesman. "But we are pleased with the direction we've taken and the deals we've struck, so there are no plans to sell off Wickes Lumber, Builders Emporium or Gamble-Skogmo."

Those companies mentioned by Sitrick, under the umbrella of Wickes Corp., have been put on the Credit Watch list of Standard & Poor's, the credit-rating agency. Earlier last month, Moody's Investor Service reduced Wickes' five senior debt issues to single-B from Ba.

Being placed on Credit Watch is generally a prelude to a credit downgrading, but Sitrick insisted that both the S&P and Moody's actions were taken before the two recent divestitures were announced.

One effect of the MacGregor transaction is that Wickes will lose an executive—Clark Johnson—who had become somewhat of a troubleshooter for the corporation and was, in the estimation of one West Coast security analyst, the heir-apparent to Wickes ceo E. L. McNeely.

"I don't want to minimize what Clark did for us, and it hurts whenever you lose a capable officer, but Wickes certainly does not have a dearth of talented executives," explained Sitrick, "and his position in the hierarchy [of succession] can be debated."

He listed Wickes Lumber executive vp John Drum; corporate president David Primuth; director of corporate development Lloyd Russell, and Paul Hylbert, manager of Wickes Europe as some of the many young executives whom the company will be relying on as it tries to fight its way out of its debt and declining revenue problems.

Dittmar v. VMC dismissed for lack of evidence

BALTIMORE—A district court judge has ruled that distributor John Dittmar & Sons failed to present sufficient evidence to continue its case against the VMC Corp., manufacturer of Z-Brick.

Judge Norman Ramsey dismissed the case after evidence had been presented for several weeks by Dittmar's attorneys.

The judge ruled that there was insufficient prima facie evidence on the seven counts brought by Dittmar, and therefore VMC was not required to present its defense and the case never went to the jury for a verdict.

Suing VMC for damages of over $4 million, Dittmar had alleged antitrust and breach of contract violations, claiming that VMC would sell only to distributors who agreed not to deal in the facing brick of any other manufacturer.

The lawsuit was filed by Dittmar after VMC dropped the firm as a distributor in April 1979.

Dittmar also claimed that VMC wanted to punish it for placing an order for a competing brand; VMC maintained that Dittmar's poor performance was the reason.

Cross-examination by VMC attorney Lewis Noonberg tried to show, among other things, that Dittmar had not adequately stocked inventory.

Noting that the judge based his decision mainly on technical grounds, John Amabile, lawyer for Dittmar, said the decision would probably be appealed.

Building materials emphasized

Hardware Fair streamlines mix

BALTIMORE—With an eye on the heated competition in this market, 11-store Hardware Fair is increasing its building materials emphasis, with several major changes so far this year.

Since Feb. 1 the chain, for the first time, is carrying treated lumber. Paneling sku's have doubled from nine to 18, with the installation of new racks. Advertising now emphasizes building materials, as does a personnel training program.

The $11,000,000 company hopes to increase building material sales from 10%-12% of total volume to 15%-20% by the end of 1982, according to Tom Butz, general manager.

For the former hardware operation the increased building materials focus is due in part to the hotter Baltimore market, with three Hechinger stores now operating there and a fourth due in April; the merger of Scott's and Frank's Hardware and strong independents like Mr. Goodbuys and Inner Harbor, which just opened at a second location.

"I feel we've been pretty successful," said Butz, noting the changes in the market. "We're still here and growing."

In larger Hardware Fair units, about 20,000 sq. ft., the area occupied by building materials has grown over the past two years to about 8,000 sq. ft. or 30% of total selling space. Smaller stores now devote about 10% of sales area to building supplies.

To increase the space devoted to lumber, insulation, and other similar products, some departments were condensed and others were eliminated. Fishing tackle and other sporting goods have been jettisoned, for example, while pet supplies, which formerly occupied eight to 12 ft. of shelving, now have been reduced to promotional items only.

The Hardware Fair, Baltimore, which evolved into a home center operation from a hardware backround, now devotes up to 30% of sales space to building products.

Although treated lumber is now carried in all Hardware Fair units, the paneling increase has so far only been included in three stores, including the new one in Randallstown, Md., opened at the end of March. The program will be phased into the remaining units.

The advertising budget has not been increased from 3% of sales, but there will be three or four tabs this year compared to one in 1981 and each will promote building materials.

The advertising budget for 1982 is $400,000-$450,000, according to Butz, which includes about $100,000-$150,000 in co-op money. The 3% figure does not include the manufacturer dollars.

Reagan asks Peter Grace to head new task force

Grace

WASHINGTON—J. Peter Grace, chairman and chief executive officer of W. R. Grace, the multibillion dollar conglomerate which operates seven home center chains, has been named by President Reagan to head a new executive branch task force called the Private Sector Survey on Cost Control.

The group, which will report to the President on ways to cut Government operating costs, is modeled after a similar one established by Reagan while Governor of California. It will have an executive council of 30 to 40 leading businessmen, all participating at Presidential request as unsalaried volunteers.

According to Grace, the group hopes to begin work by April 1, complete its task in four months and submit a report to President Reagan by Oct. 1 at the latest.

"I'm a natural optimist," Grace said in a report in the *New York Times*. "I'm sure I'm going to fall on my face 19 times, but I'm also sure we're really going to come up with something quite meaningful. Fresh minds and imaginative, resourceful people can always do this."

Grace said that he expected his group to have an impact on the projected Federal budget deficit.

Grace, a political independent who reportedly has met the President on a few occasions, indicated he accepted the new responsibility without hesitation.

"When the President said to me 'I'd like you to do me a favor,' I said right away that I'd be very happy to do it."

Ranchers' parent files Chapter XI

OMAHA—W-E-W/Ranco, operator of seven Ranchers Hardware and Home Centers in three states, filed for Chapter XI on Feb. 22, one day after closing its Storm Lake, Iowa, store.

The 80% DIY chain lost its line of credit at its main bank, Iowa-Des Moines National, on Oct. 28, according to a Ranco spokesman. He stated that the chain's other six stores will remain in operation "indefinitely," although he added that there has been a 20% across-the-board layoff at the six units.

A spokesman for the bank declined further comment, citing the ongoing bankruptcy proceedings.

One of Ranco's creditors speculated that "too rapid expansion" led to the current situation. The chain grew from a single lumberyard in 1973 to five units in 1978, six in 1980 and seven in 1981.

When former Payless Cashways president and chairman Robert M. Lincoln became Ranco president in March 1980, he had hoped to acquire six additional stores that year (*NHCN*, April 28, 1980).

The chain only added one unit, and Lincoln left the company in August 1981.

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FINANCIAL NEWS

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Edison Brothers	1/2-4th qtr.	$277,370	$260,640	6	$15,578	$17,752	−12
	1/2-Year	951,436	853,389	11	43,654	42,457	3
Lowe's	1/31-4th qtr.	173,501	205,798	−16	3,128	2,471	27
	1/31-Year	888,042	883,614	1	17,859	18,891	− 5
Pay 'n Save	1/30-4th qtr.	272,638	259,568	5	5,867	8,312	−29
	1/30-Year	949,189	823,390	15	12,897	18,998	−32
Peavey	1/31-2nd qtr.	194,474	213,655	− 9	4,233	6,192	−32

*$ in thousands

Wolohan's '81 earnings rose 22%

SAGINAW, Mich.—Wolohan Lumber officials are not pinning their hopes on a turnaround during the early part of this year, according to officials at the 34-store, Midwest chain.

Despite earnings increases in both the fourth quarter and the year as a whole, sales dropped 28% in the quarter and 10% for the year, David F. Wallace, president of the company, said. He added that he foresees no immediate change in the situation.

"Our first quarter usually is a continuation of the previous year's fourth quarter," he said. "The economic climate today is worse than it was at this time last year. Our first quarter sales should be significantly below those of the first quarter last year."

The chain's net earnings rose 20% to $342,000 in the fourth quarter to help annual net profits rise 22% to $972,000 from comparable 1980 results.

Wallace attributed higher earnings to improved margins and reduced expenses.

Sales, however, fell to $18,481,000 in the last quarter of 1981 and to $88,788,000 during the entire year.

"With the economic climate in the Midwest remaining bleak, interest rates high, and unemployment severe, the home construction industry has been at a near standstill," Wallace said.

Contractor business posted a heavy sales decline last year. Professional volume claimed 46%, or better than $45 million, of total sales in 1980, but fell to just 43% of the business, or almost $38.2 million, in 1981, officials said.

Peavey's building supply sales sag

MINNEAPOLIS—Peavey's building supplies division continued to feel the brunt of the depressed housing market as its sales and earnings deteriorated during the company's second quarter ended Jan. 31, officials said.

Earnings figures were unavailable. However, the division reported a 3% decline in sales during fiscal 1981, noting that earnings were also down. The sluggish activity resulted in the divestiture of 11 of the division's 52 units recently (*NHCN*, Jan. 18).

Overall, Peavey's retail group, which also includes fabric and farm stores, showed improved sales and earnings in the quarter compared to the same period a year ago, officials said.

The company, which also has interests in agriculture and food, saw earnings decline 32% to $4,233,000 on a sales drop of 9% to $194,474,000 in the quarter compared to year-ago results.

Lowe's fiscal net dips 5%

NORTH WILKESBORO, N.C.—Despite a minuscule increase in sales and a slight decline in net income, Lowe's officials appear satisfied with the company's 1981 performance "in the most difficult climate for home building and major remodeling since World War II."

The 229-store chain saw post-tax profits fall 5% to $17,859,000 on a sales gain of 1% to $888,042,000 during its fiscal year ended Jan. 31. The topsy-turvy year also included a 27% earnings increase to $3,128,000 and a sales drop of 16% to $173,501,000 in the fourth quarter as compared to year-ago results.

Barbara Alexander, vice president of Smith, Barney, Harris, Upham in New York, and a Lowe's follower, expressed concern that Lowe's reduced its contribution to its Employees Stock Ownership Plan from 15% to 12% of prior year base salary.

Alexander said, "It should be noted that Lowe's has not made such a cut in the past, so the current move should be viewed as an indication of the difficulties currently being encountered."

The analyst also said a continued weak economy could halt the company's expansion program and almost certainly cut into profits once again.

"If so," Alexander added, "it would represent the fifth consecutive year of disappointing earnings."

At Lowe's, however, officials said the company would have actually increased earnings slightly in 1981 if it were not for the costs of remodeling 53 older stores with its Retail Sales Volume and Profits (RSVP) floor design (*NHCN*, Jan. 4).

They attributed what they view as not-so-disappointing 1981 earnings to expanded retail business as well as other factors.

Against 1980 figures, consumer sales jumped about 10%, while professional business fell 8%. This is the first year that DIY volume exceeded contractor sales in Lowe's history. DIY sales accounted for 52% of total volume, officials said.

Lowe's spokesman noted, however, that 1981 brought the most serious erosion in professional builder and wholesale business, which claimed better than 52% of sales in 1980.

STOCK PRICES

Companies with predominant home center sales

	As of 2/24	As of 3/3
Lowe's (NYSE)	12¾	14¼
Payless Cashways (NYSE) [Furrow]	15¾	16⅝
Scotty's (NYSE)	16½	16

Over-the-counter stocks

	As of 3/3 Bid	Asked
Erb Lumber	7½	9¼
Hechinger	17⅞	18⅛
The Home Depot	12¾	13¼
Pay 'N Pak	13¾	14
Wolohan Lumber	3	3⅜

Companies with significant home center sales

	As of 2/24	As of 3/3
Action Industries (AMEX) [Action Home Centers]	2⅝	2½
American Maize Products (AMEX) [Lloyd Lumber, Lundy-Briggs]	10	9¾
Boise Cascade (NYSE)	26½	27
Cyclops (NYSE) [Busy Beaver]	21⅝	22½
Diamond Int'l (NYSE)	36½	38¾
Edison Brothers (NYSE) [Handyman, Homer's]	24	24
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	16⅝	14¾
Forest City (AMEX)	11⅞	11⅞
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	39¼	35⅞
Interco (NYSE) [Central Hardware]	39¾	42
Peavey (NYSE) [Fish, Peavey/Thunderbird]	19	17½
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	14½	13½
Supermarkets General (NYSE) [Rickel]	17½	18⅝
Union Camp (NYSE) [Homecrafters]	47¼	46½
Wickes (NYSE) [Wickes Lumber, Builders Emporium]	8¼	8

Over-the-counter stocks

	As of 3/3 Bid	Asked
Dart Drug	12¼	12⅜
Hines Lumber	19	20
Pay 'n Save [Ernst, Von Tobel's Yard Birds]	19⅜	19⅝

New regulations on timber may ease supply problems

WASHINGTON—New regulations controlling the sale of National Forest timber are expected to be in effect by spring.

The rules are generally aimed at evening the flow of lumber production and reducing some of the speculative bidding practices that have tended to inflate timber prices.

One of the main changes requires that high bidders make a 5% down payment a few days after the bid date.

"The industry is somewhat divided on the changes," said Mark Pawlicki, staff assistant for the National Forest Products Assn. "It depends where you are in the county. Some feel they will create cash flow problems. Others think they will control "speculation."

The 5% down payment requirement is viewed as a mechanism to keep bidding prices down, which in turn could result in a more even flow.

Currently a company can obtain a five-year contract to harvest National Forest timber, for example, without making a significant payment in advance. Bidding competition can force contract prices skyward and, according to this view, make it financially necessary for a company to harvest lumber only when prices are at their peak.

In 1980, according to Pawlicki, total bids in National Forest Western regions amounted to 1.9 billion board feet. If companies were paying 5% up front at 16% interest it would amount to $138,000,000 Pawlicki said, a heavy expense, perhaps enough to keep bidding down.

If bid prices were lower, companies could afford to harvest timber more regularly, since profitibility would not hinge on selling only at peak price levels, according to this reasoning.

"The problem with these ideas are that they're not very real world," said Rus Fredsall, director of resources for the Western Wood Products Assn. "These kinds of supply regulations on the market are not going to smooth it out very much."

Another regulation aimed at evening timber sales would lock timber companies into payment schedules.

In addition, a stumpage rate adjustment will be required in all National Forest timber sales contracts in western Oregon and Washington. Some other areas already have the adjustments, which ostensibly are intended to make a timber sales contract more fair for both sides, since stumpage costs can fluctuate widely during the term of a pact.

Because of the difficulty of setting a stumpage rate adjustment for douglas fir, since the wood results in a wide variety of products, this regulation will not go into effect until March 31, 1983.

A 45-day period for public comment on the proposed regulations is now under way.

"It's in the political realm now," said Fredsall. "It's gone beyond arguing on the merits.

"A lot of people in the industry feel that at this time, in a distressed economy, it is inappropriate to deal in changes that will increase the cost of doing business," Fredsall continued. "It's like being kicked when you're down."

FUTURES

Two weeks ended March 5, 1982

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
March	142.80	130.60	134.40	133.70	915	247.50	130.60
May	152.60	139.60	140.30	142.90	4,010	220.30	139.60
July	164.40	150.50	150.90	154.50	1,315	224.50	150.50
Sept.	171.80	158.20	159.30	163.50	808	229.50	158.20
Nov.	172.80	159.90	159.90	165.50	683	224.50	159.90
Jan. '83	179.00	167.00	167.50	173.00	543	205.50	167.00
March	188.00	176.00	176.00	182.50	24	209.80	176.00

Total Contract Vol. (Through 3/5): 26,139 — Previous Two Weeks: 21,140
Total Open Interest (As of 3/4): 8,339 — Previous Week: 9,248
Cash Price: $128.38 — Previous Week: $129.36 — Year Ago: $145.04

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
March	178.90	168.50	168.70	174.50	50	252.00	168.50
May	185.30	173.50	173.90	180.90	2,188	241.00	173.50
July	191.50	179.30	179.30	187.10	566	219.00	179.30
Sept.	197.00	183.70	184.50	192.00	546	224.50	183.70
Nov.	202.00	189.00	189.00	197.00	281	226.50	189.00
Jan. '83	206.50	193.50	193.50	202.10	112	215.00	193.50

**Revised Contract.

Total Contract Vol. (Through 3/5): 7,339 — Previous Two Weeks: 8,260
Total Open Interest (As of 3/4): 3,743 — Previous Week: 4,500
Cash Price: $173.46 — Previous Week: $173.46 — Year Ago: $197.96

COMMODITY RESEARCH BUREAU INDEX:	This Week 253.6	Previous Week 256.5	Year Ago 289.3

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, March 4.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Electronic funds transfer

(Continued from page 35)

to a particular individual or company.

MasterCharge and Visa, as well as many market funds, are now offering debit cards. The retailer probably cannot tell whether the card given him by a customer is a debit or credit card. In all likelihood, however, it is a credit card since consumers have not widely accepted the notion of having money withdrawn from their accounts in this manner.

The debit card is just re-emerging on the EFT front, but, retailers should be aware of its presence and follow its movement.

Many retailers have already found that EFT-type services can help increase sales, and they are keeping abreast of new developments.

Others who have not yet entered into the checkless-cashless society would do well to consider doing so. When credit cards began impacting our society, comedians would tell jokes with the punch-line "Do you take cash?" We may soon get to the point where consumers no longer carry cash, or checks, but will buy everything from the morning paper to a grand piano with a plastic card. Will your organization be ready for that day?

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Safeway bags test of Salt Lake DIY

By Brad Altman
West Coast editor

SALT LAKE CITY—Safeway Stores is getting out of the home improvement business after a 14-month test of two Home Works home centers in this city's suburbs.

A spokesman for the Oakland, Calif.-based food retailer said corporate officials have subleased the Home Works sites to Allied Development, an area discount store.

Safeway opened the home centers to try to find new uses for its older, smaller grocery stores which no longer fit its modern, superstore concept.

High interest rates, the housing downturn and marketplace competition were only "miniscule factors" in the decision to close the Home Works, Walter Burt, public relations manager for Safeway's Salt Lake City division, said.

"Safeway just decided it would rather invest its money in other places," he said. The Home Works units were designed to fit into the supermarket chain's stores in the 8,000-sq.-ft. to 20,000-sq.-ft. range. Safeway considers these stores obsolete for grocery sales and is replacing them with its so-called "super stores" that typically are 40,000-plus sq. ft. (*NHCN*, Aug. 17, 1981.)

(Continued on page 54)

NEWSBREAKS

MORE GRACE CHANGES. Terry Daniels, who left W. R. Grace in 1979 to head Western Publishing, Milwaukee, returned as of April 1, as an executive vice president in charge of the Grace development group, where he will be responsible for all acquisition. At the same time, Edward H. Tutun, No. 2 man in the Grace retail group, has been given additional operating responsibility. All Grace's retail business will now report through him to retail executive vice president Robert Anderson.

HECHINGER TOPS $200 MILLION. Hechinger, Landover, Md., posted a 24% increase in annual sales to record its first $200 million fiscal year. The $210.6 million sales figure helped net earnings rise 26% to $8.6 million.

Wickes board cleans house; Sigoloff elected chairman

Drum, prez for 2 weeks, resigns

SAN DIEGO—The board of directors of Wickes Cos. has abruptly replaced long-time chairman and ceo, E. L. McNeely, with Sanford Sigoloff, a former Daylin president and most recently, vice chairman of Kaufman and Broad, one of the nation's largest homebuilders.

The board's decision is the latest, and most far-reaching in a series of rapid top-management changes that have rocked the debt-ridden company in the past month, following a company report that Wickes expected an $80 million loss for the fiscal year ended Jan. 31.

Among those changes was the resignation of John Drum, only two weeks after being named president and coo, following the unexpected March 15th resignation of Wickes' former president, David Primuth. Primuth, who played a major part in the recent negotiations to divest several Wickes subsidiaries (*NHCN*, March 29), is reportedly staying on as "senior consultant." Meanwhile, James Wilson, senior vp and chief financial officer, and Richard Cotton, senior vp human resources, have resigned, as has Clark Johnson, the executive vp who headed a group of investors which purchased the company's McGregor sporting goods division. McNeely, Primuth, Drum and Johnson have also resigned from Wickes' board of directors.

At least for the moment, last month's appointment of Les L. Hagen as president of 227-unit Wickes Lumber will not be affected. Wickes Lumber accounts for 47% of the corporation's total revenue.

Wickes, which has been severely punished during the 41-

(Continued on page 55)

Lowe's starts stockpiling retail-oriented locations

By Kenneth Schept
NHCN senior editor

NORTH WILKESBORO, N.C.—Lowe's has embarked on a three-year plan to build its land bank of potential store sites, according to Floyd Dean, the company's new director of real estate.

New purchases will generally square off the 229-store chain's current, 19-state market area, he said, although the firm will probably enter states adjacent to its current turf, which extends across the South and through the southern Midwest.

New locations will be more retail-oriented than previously. Five stores will open during the next six months in several states, including Florida, Arkansas and Kentucky, according to Dean.

Ultimately, new stores will be 14,000 sq. ft., with the storage building, now freestanding, consolidated with the retail space, according to Lowe's chairman, Robert Strickland.

(Continued on page 54)

Former Daylin president, Sanford C. Sigoloff, has replaced E. L. McNeely as chairman of financially troubled Wickes Cos.

Chicago show turnout: Quality over quantity

CHICAGO—The official attendance count was reportedly up, but many retailers and manufacturers walking the floor or manning a booth at McCormick Place were disappointed with the overall turnout at this year's seventh annual Home Center Show.

Based on unaudited registered and preregistered tallies, the show's sponsor Vance Publishing estimated that this year's attendance was "slightly ahead" of the 1981 total of 25,285. However, industry executives questioned by *NHCN* at the show were by and large in agreement that traffic on both levels of the convention center was light.

Even Scotty's president Ray Cooney, a member of the Show's Advisory Board, expressed some dismay. "I've heard that 3,000 more people preregistered than last year, but that doesn't mean they all came." Bill Levy, vice president of the Louisville-based Levy's Lumber and Building Centers, looked at the attendance figures in a different way.

"It's our show, and the quality of people here is what's important, not the quantity," he said.

The sparse crowds allowed dealers to spend more time with exhibiting vendors and competitors to discuss new products, co-op deals, new ideas and, of course, the economy. Several were enthusiastic about what they came away with.

Forest City president Ed Seymour compared the show to "a smorgasbord for a man who hasn't eaten in two days. I get 100 ideas to bring back to Cleveland, then I sober from my euphoria and use the best three or four."

However, not all retailers thought three was much new to see in this year's offerings. "If you removed all the bug poppers, ceiling fans and kerosene heaters from the floor, you could hold the show in the basement of McCormick Inn," said Busy Beaver buyer Tony Clark. (There were 36 ceiling fan manufacturers exhibiting, 19 for kerosene heaters and 14 for electric bug killers.) "It looks just like last year's Hardware Show."

It is difficult to gauge from those manufacturers that were showing new fare how responsive retailers were to taking on expanded lines. For instance, Robert Mason, southwest sales manager for National Wood Industries, Aumsville, Ore., which introduced a line of pine laminate furniture, felt that "retail buyers don't like to experiment or test items in this economy." And H. B. Fuller's general sales manager Frank Devlin said there had been little dealer response to the new clear sealant his firm was showing. "The show has not produced enough traffic and buyers are being a lot more careful."

On the other hand, Ted Brogioli of Gibco Services, Birmingham, Mich., said his company had gotten "more substantial, bonafide leads" for its new DIY veneer and decorative products "than in the past two shows. People are always looking for something new."

New products and ideas were not the only things some retailers flew into the show for. Tom Gritz, vice president of the newly formed Hal's Hardware and Lumber, which plans to open with two stores in the Milwaukee market on May 6, said that "with the economy the way it is, I think this will be a very good show to strike some buying deals with the vendors.

"This is particularly important to me because I'm Hal's whole buying department and while our stores will be 60% supplied by local vendors, and the Waxman and Sentry groups, I have to write orders

(Continued on page 53)

Lowe's chairman, Bob Strickland (l.) kidded Ole's president, Harvey Knell (c.) and Handyman president, Harvey Rosen during NHCN's *Home Center Show party last month: "The reason I come to the Home Center Show is because it's the only place where there are more products on display than at Hechinger." For more on the industry fete, see page 52. Complete Home Center Show coverage begins on page 3.*

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Main thrust in Dallas

Payless plans $31M expansion

By John Caulfield
NHCN associate editor

KANSAS CITY, Mo.—Richard Hemer put it simply: "When we're looking to expand and are choosing sites, the three most important elements are location, location and location."

As vice president/construction for Payless Cashways, Hemer has helped orchestrate a 13.3% average annual unit growth rate—from 59 to 86 stores—over the last four years, and will direct the building of 12 stores this year at an estimated cost, including inventory, of $31.2 million.

In its 1982 expansion drive, the $479 million Payless is executing a two-pronged attack: it is intensifying its market dominance in the Dallas-Fort Worth area with the addition of five new stores to join the seven already operating there, and it is looking to service smaller cities that generally do not have a lot of home centers but nonetheless have SMSA populations close to 100,000.

"We're paying closer attention to the particular demographics of a market than in the past," Hemer explained. "For instance, Dallas certainly wasn't the growth city it is today six years ago, but we've been more concerned with the direction a market is headed, not where it is now.

"And we are also moving into cities where a store of our kind is needed. We never shy away from competition if we feel the area isn't being serviced adequately, but we aren't looking openly for confrontation, either."

Payless Cashways' 1982 expansion

City	Population
Cedar Rapids, Iowa*	110,400
Colleyville, Tex.†	3,368
Decatur, Ill.*	88,600
Davenport, Iowa	101,800
Denton, Tex.*	45,800
Irving, Tex.†	107,000
Lewisville, Tex.†	28,500
Plano, Tex.†	50,200
Quincy, Ill.*	42,700
Raytown, Mo.	32,000
Springfield, Mo.*	87,500
White Settlement, Tex.†	13,449

**new markets*
†suburbs of Dallas-Fort Worth NHCN chart

A recent listing compiled by Robert Simonson and Daniel Barry, senior retail analysts at Kidder, Peabody & Co. in New York, included Payless Cashways as one of the top six "high growth" retailers in the country along with Wal-Mart and Toys "R" Us.

According to this study, Payless' growth in selling floor space between 1976 and 1980 increased 18%. Its estimated square footage for 1981-86 will expand by 13%, with a concomitant growth in earnings over that period of 25% annually.

"We didn't give those figures to Kidder, but based on our past history we don't dispute them," said Wayne Zetzman, Payless' vice president/finance. "Over the past 10 years, we've had a compounded annual earnings increase of 25%, and we see continued strength over the next decade in the retail lumber and building materials market."

Hemer said that all the

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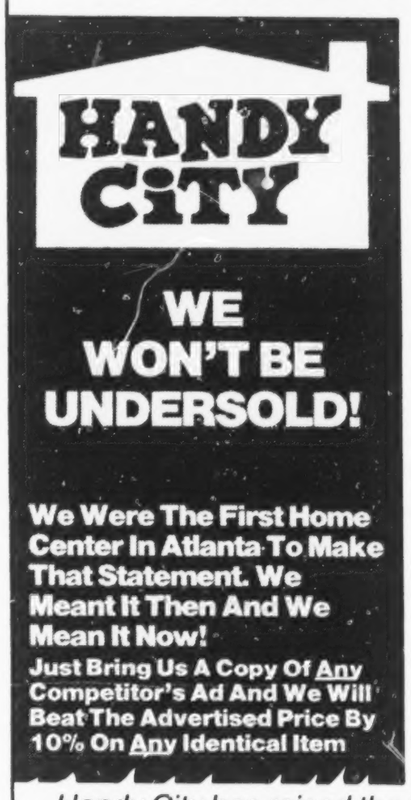
Home Depot wins battle in Atlanta price war


HANDY CITY
WE WON'T BE UNDERSOLD!
We Were The First Home Center In Atlanta To Make That Statement. We Meant It Then And We Mean It Now!
Just Bring Us A Copy Of Any Competitor's Ad And We Will Beat The Advertised Price By 10% On Any Identical Item

Effective March 1, 1982

Handy City's business policy is to offer our customers a broad merchandise selection within major home center departments, such as, Paint, Hardware, Plumbing, Electrical, Lumber and Building Materials, in a convenient retail environment at competitive prices.

On selected sale merchandise for promotional periods only, Handy City will offer our customers special low, low pricing. This will enable our customers to realize additional savings and merchandise value. As a result, we will discontinue competing on an item for item basis based upon our competitors' advertised prices.

Handy City has raised the "white flag" in at least one battle in Atlanta with The Home Depot. Last fall, the W. R. Grace-owned chain said it would beat its competitors' advertised prices by 10% (l.) in apparent response to a Home Depot campaign guaranteeing 5% off any competitor's ad price. Last month in The Atlanta Journal, *Handy City announced an end to the policy.*

All American lumber dept. comes in out of the rain

DOWNEY, Calif.—Officials of All American Home Center weren't the least disappointed when a severe winter storm hit southern California the day they officially dedicated their newly expanded lumber and building materials department.

Part of the $300,000 project, which enlarged the department 15,000 sq. ft. to 48,000 sq. ft., included installation of a new roof—and the downpour outside was a perfect accompaniment to the mid-March dedication ceremony.

"We arranged it so it would rain today," joked Irving Gertler, founder and president of the 160,000-sq.-ft. independent which his family has operated in this Los Angeles suburb for 23 years.

The three-month-long revamping of the formerly open-air building materials department is "to gear up for steadier year-round sales," Tom Farrell, merchandising manager, said. "When weather's bad, it's difficult to get a customer to go outside to choose lumber. It's not easy to select a 2x4 with an umbrella in one hand."

Building materials, one of the store's 17 departments, is "our No. 1 department [in sales] and is growing," said Gertler, adding that the 100% DIY operation had $17 million in sales in 1981.

Farrell said the department's enlargement "more than tripled" sku's on hand, resulting in an increase in selection of lumber and adding higher grades and additional species. Storewide, All American maintains over 85,000 sku's and a $5 million inventory. The mammoth physical plant, located on a 10-acre site with parking for 450 cars, consists of a 120,000-sq.-ft. sales floor, a 36,500-sq.-ft. warehouse and 3,500-sq.-ft. office.

Tom Thomas, lumber manager, said the additional floor space "means that we now can buy much greater quantities of lumber—full truckloads—enabling us to buy at lower prices and pass the savings on to our customers."

Checkout stands in the department have been increased to six from four located near a new entrance and exit area which includes a vehicle loading zone.

Gertler, noting that the store has expanded departments nine times since moving to its current location from its original site in 1970, said, "This is probably our last big physical change in our store. There comes a time when the physical plant is so big that if you make it any bigger it will take the customer 10 years to get to the other end."

Western DIY show draws mixed reviews

CHICAGO—Plans for a western regional Home Center Show scheduled for Oct. 21-23, 1983, were announced during the National Home Center Show here last month.

The new effort is aimed at distributors and smaller chains serving 11 western states, according to the exhibition's sponsor, Vance Publishing, which also put on the Chicago show.

Early response to the Western Home Center and Building Materials Show, as it's being called, was mixed.

The cost of attending a show may dissuade some large retail chains and manufacturers from participating, especially since by then there will be two annual National Hardware Shows as well as the National Home Center Show.

According to the sponsor of the new show, however, it will be filling a need in the industry.

"The response has been positive," said John Berry, director of the trade show division of Vance. "There really isn't a show out there tailored to the needs of that market. With the end of the California building boom, retailers there want to get more and more into DIY."

Among major retailers that may be absent from the western show are W. R. Grace. The western region of that operation includes three chains with about 50 stores.

"It's a big mistake," Frank Denny said of the new show. Denny, president of the Grace home center division, feared that the southern California effort would dilute attendance at the National Home Center Show.

A similar view was expressed by Wally Leyshon, director of corporate planning for Payless Cashways, the fourth-largest home center operation in retail volume with almost $500,000 in yearly sales.

The national show offers an opportunity for industry executives to meet with their peers, he said. A second show might reduce attendance at the main show, he felt. In addition, manufacturers ultimately would be forced to pass on the added cost of show participation to retailers.

"The more shows you have, the higher the overhead costs, the higher the cost of the product," said Michael Bergan, plumbing buyer for Wolohan Lumber, Saginaw, Mich. "It's going to reach the point that

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Caulfield named associate editor

Caulfield

NEW YORK—*National Home Center News* has announced the promotion of John Caulfield to associate editor.

Caulfield, who joined the staff in February 1980, covers tools, plumbing, electricals, paint, wall decor and wholesaling, working out of the New York office.

He graduated with a B.A. in English from Boston College in 1975 and received a master's degree in journalism from Marquette University, Milwaukee, in 1977. Caulfield previously worked as a general clerk in the legal department of A.T.&T., New York.

Feb. starts fall 10.9% from Jan.

WASHINGTON—February's rate of single-family housing starts fell 10.9% from January to 533,000 units, the first decline in four months, according to the latest figures from the Commerce Department.

Single-family permits in February also registered the first drop since October with 450,000 seasonally adjusted permits issued.

On the strength of multi-family building, total seasonally adjusted starts for February reached 953,000, a 6.5% increase over January.

Experts suggested that the gain was probably due in part to the backlog of building caused by January's abnormally inclement weather nationwide.

Regionally, however, total starts fell from January levels in the North Central and West, while the rate in the Northeast increased dramatically to 141,000 seasonally adjusted starts, compared with 74,000 in February.

The South registered an 11.9% increase over January figures to 603,000 units, remaining consistently the strongest home-building region with gains over the past five months.

"There have been no major weather interruptions in the South, while there's been massive rainfall in the West and bad weather in the North Central," said Barbara Alexander, vice president and housing analyst for Smith Barney.

"Maybe part of the reason the South looks stronger is that everything else looks so bad," she said.

Compared to a year ago, seasonally adjusted starts and permits remain off for all regions.

While high mortgage interest rates are most often cited as the single most important factor in inhibiting housing's recovery, Alexander pointed out that if rates decline and demand for mortgage money increases, sufficient funds may not be available.

According to the Federal Home Loan Bank Board, savings and loans have under $5 billion in available mortgages compared with almost $100 billion at the end of the 1970's.

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